

Endow Iowa Tax Credit

Tax Expenditure Committee – December 4, 2013

Angela Gullickson
Tax Research and Program Analysis Section
Iowa Department of Revenue

Other States with Similar Credits

	Iowa	Kentucky	Montana	North Dakota
Annual Cap	\$6 Million	\$500,000	None	None
Tax Credit Percentage	25%	20%	20% - 40%	40%
Taxpayer Cap	\$300,000	\$10,000	\$10,000	\$10,000 (\$20,000 for married filing joint return)
Credit Carry Forward Period	5 Years	5 Years	None	3 Years

Source: TaxCreditResearch.com

- ▶ Only Kentucky allows both the tax credit claim and the donation to be claimed as an itemized deduction
- ▶ Credit is nonrefundable in all states

Endow Iowa Tax Credit Award Statistics

Year of Tax Credit Award	Tax Credit Cap	Additional Gambling Monies	Total Issued	Number of Awards Issued	Average Award Issued	Smallest Award Issued	Largest Award Issued	Median of All Awards Issued
2003 & 2004	\$2,000,000	\$0	\$1,060,752	407	\$2,606	\$2	\$100,000	\$200
2005	\$2,000,000	\$0	\$2,139,417	699	\$3,061	\$1	\$100,000	\$200
2006	\$2,000,000	\$0	\$2,000,000	655	\$3,053	\$1	\$100,000	\$140
2007	\$2,000,000	\$0	\$1,997,997	1,039	\$1,923	\$2	\$97,750	\$200
2008	\$2,000,000	\$1,176,854	\$3,176,854	1,881	\$1,689	\$2	\$119,900	\$100
2009	\$2,000,000	\$394,446	\$2,394,446	1,887	\$1,269	\$2	\$101,322	\$100
2010	\$2,700,000	\$957,508	\$3,657,508	2,025	\$1,806	\$2	\$135,000	\$125
2011	\$3,500,000	\$1,023,397	\$4,523,397	2,596	\$1,742	\$3	\$227,591	\$125
2012*	\$6,000,000	\$0	\$5,779,592	3,075	\$1,880	\$1	\$227,591	\$125
Total	\$24,200,000	\$3,552,205	\$26,729,963	14,264				
Average	\$2,688,889	\$888,051	\$2,969,996	1,585	\$1,874			

Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Endow Iowa Tax Credit Donations and Assets

Year of Tax Credit Award	Total Tax Credits Issued	Percent of Tax Credit	Total Amount of Donations Generated	Smallest Donation Made	Largest Donation Made	Average Donation Made	Median of All Awards Issued
2003 & 2004	\$1,060,752	20%	\$5,303,760	\$10	\$500,000	\$13,031	\$1,000
2005	\$2,139,417	20%	\$10,697,085	\$5	\$500,000	\$15,303	\$1,000
2006	\$2,000,000	20%	\$10,000,000	\$5	\$500,000	\$15,267	\$700
2007	\$1,997,997	20%	\$9,989,985	\$10	\$488,750	\$9,615	\$1,000
2008	\$3,176,854	20%	\$15,884,270	\$8	\$599,498	\$8,445	\$500
2009	\$2,394,446	20%	\$11,972,230	\$10	\$506,608	\$6,345	\$500
2010	\$3,657,508	25%	\$14,630,032	\$7	\$540,000	\$7,225	\$500
2011	\$4,523,397	25%	\$18,093,588	\$10	\$910,363	\$6,970	\$500
2012	\$5,779,592	25%	\$23,118,368	\$5	\$910,362	\$7,518	\$500
Totals	\$26,729,963		\$119,689,318			\$9,969	

Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

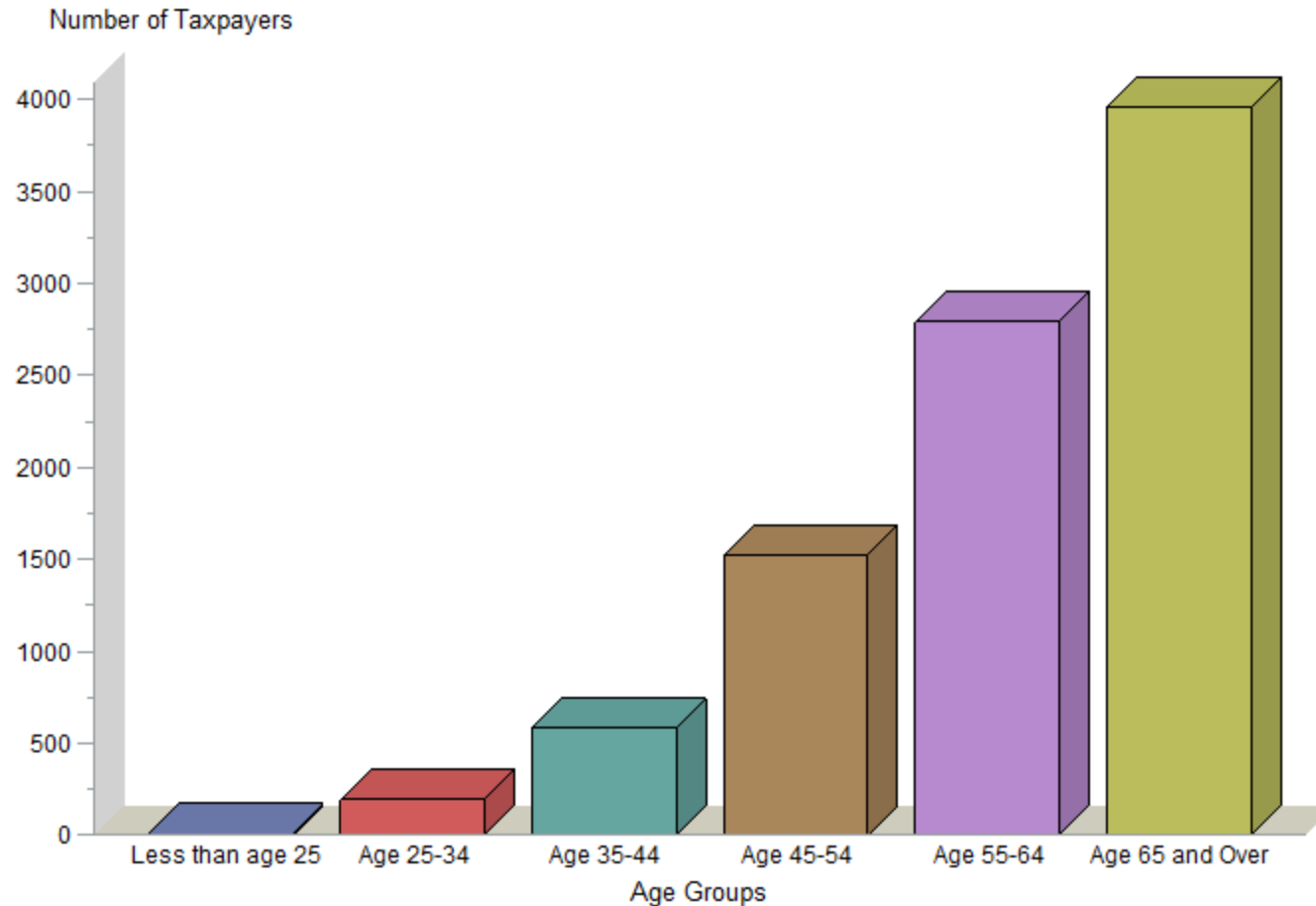
Example of an Endowment Payout Over a 20 Year Period

JOHN SMITH ENDOWMENT FOR A LOCAL HOSPITAL
6% Net Return
20 Years of \$50,000 Annual Donation

Year	Annual Gift	Endowment Balance After Gift	Interest Earnings Based on 6% Net Return	Grant Distribution Based on 5% of Beginning Balance	Year End Principal Balance
1	\$50,000	\$50,000	\$3,000	\$2,500	\$50,500
2	\$50,000	\$100,500	\$6,030	\$5,025	\$101,505
3	\$50,000	\$151,505	\$9,090	\$7,575	\$153,020
4	\$50,000	\$203,020	\$12,181	\$10,151	\$205,050
5	\$50,000	\$255,050	\$15,303	\$12,753	\$257,601
6	\$50,000	\$307,601	\$18,456	\$15,380	\$310,677
7	\$50,000	\$360,677	\$21,641	\$18,034	\$364,284
8	\$50,000	\$414,284	\$24,857	\$20,714	\$418,426
9	\$50,000	\$468,426	\$28,106	\$23,421	\$473,111
10	\$50,000	\$523,111	\$31,387	\$26,156	\$528,342
11	\$50,000	\$578,342	\$34,701	\$28,917	\$584,125
12	\$50,000	\$634,125	\$38,048	\$31,706	\$640,466
13	\$50,000	\$690,466	\$41,428	\$34,523	\$697,371
14	\$50,000	\$747,371	\$44,842	\$37,369	\$754,845
15	\$50,000	\$804,845	\$48,291	\$40,242	\$812,893
16	\$50,000	\$862,893	\$51,774	\$43,145	\$871,522
17	\$50,000	\$921,522	\$55,291	\$46,076	\$930,737
18	\$50,000	\$980,737	\$58,844	\$49,037	\$990,545
19	\$50,000	\$1,040,545	\$62,433	\$52,027	\$1,050,950
20	\$50,000	\$1,100,950	\$66,057	\$55,048	\$1,111,960
Total Gift:	\$1,000,000		Total Grants Issued:	\$559,799	

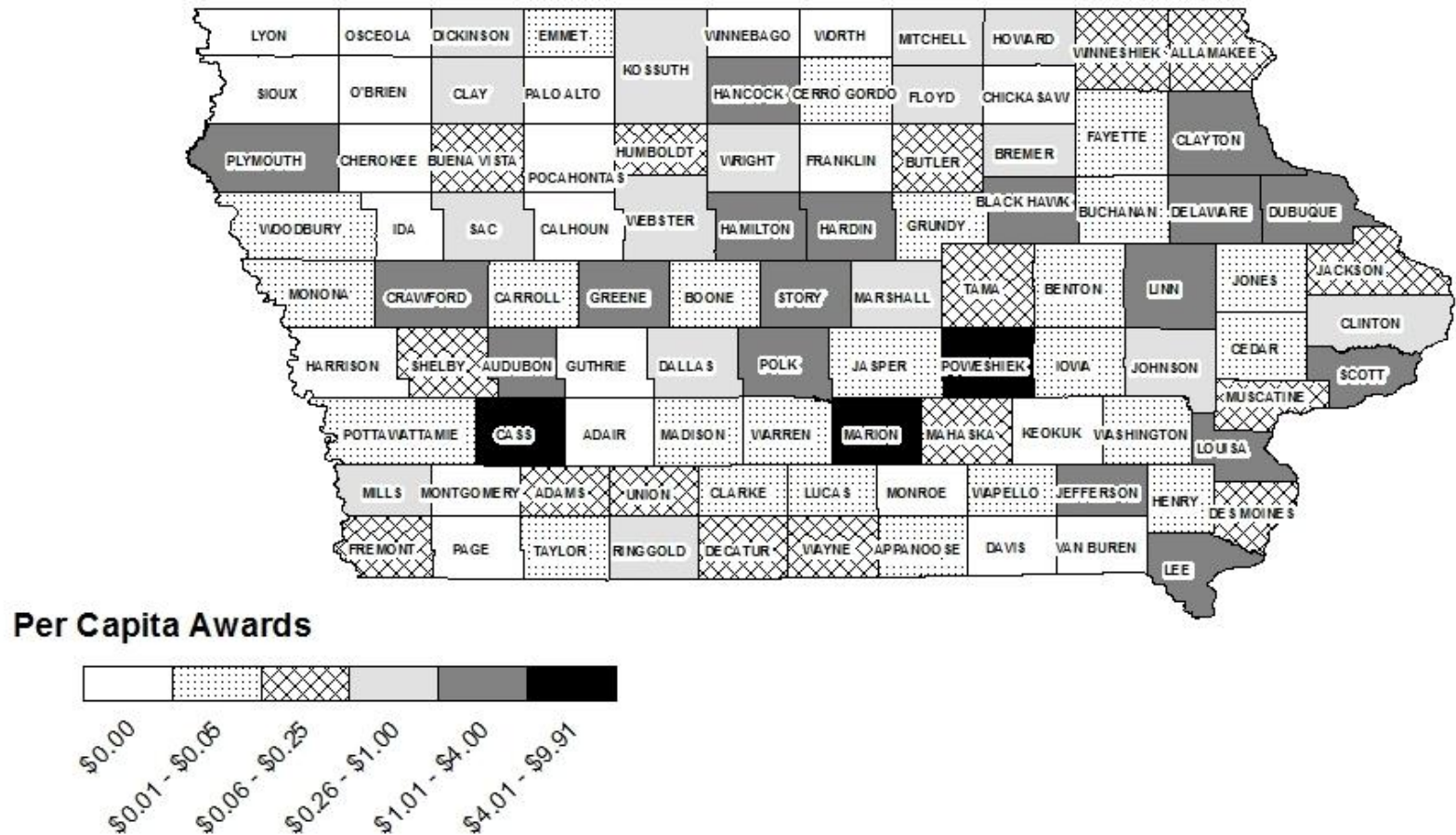
Provided by the Community Foundation of Greater Dubuque August 13, 2013.

Endow Iowa Tax Credit Awards by Donor Age, Award Years 2006–2011



Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Total Endow Iowa Tax Credit Awards Per Capita, Award Years 2006–2010



Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Persistence of Endow Iowa Tax Credit Awards, Award Years 2006–2011

Number of Years with Donations	Number of Taxpayers	Percent of Taxpayers	Number of Households	Percent of Households
1	3,387	70.5%	2,998	68.7%
2	787	16.4%	733	16.8%
3	339	7.1%	326	7.5%
4	168	3.5%	179	4.1%
5	82	1.7%	88	2.0%
6	40	0.8%	39	0.9%
	4,803		4,363	

Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Concentration of the Top 25 Awards, Award Years 2006–2012

Award Year	Total Amount of Donations	Average Donation Amount	Percent of Tax Credit Awards	Total Amount of the Top 25 Tax Credit Awards	Percent of Total Tax Credit Awards Issued	Average Top 25 Tax Credit Award
2006	\$6,892,290	\$275,692	68.92%	\$1,378,458	3.82%	\$55,138
2007	\$4,558,091	\$182,324	45.63%	\$911,618	2.41%	\$36,465
2008	\$7,163,352	\$286,534	45.10%	\$1,432,670	1.33%	\$57,307
2009	\$5,763,811	\$230,552	48.14%	\$1,152,762	1.32%	\$46,110
2010	\$7,258,765	\$290,351	49.62%	\$1,814,691	1.23%	\$72,588
2011	\$8,739,086	\$349,563	48.30%	\$2,184,772	0.96%	\$87,391
2012	\$11,572,831	\$462,913	50.06%	\$2,893,208	0.81%	\$115,728
Average	\$7,421,175	\$296,847	50.82%	\$1,681,168	1.70%	\$67,247

Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Endow Iowa Tax Credit Awards by Household AGI, Award Years 2006–2011

Household Adjusted Gross Income (in 2011\$)	Number of Households with Tax Credit Awards	Percent of Households with Tax Credits	Total Amount of Tax Credit Awards	Percent of Total Tax Credit Awards Issued	Average Household Tax Credit Award
NO AGI	71	1.03%	\$91,549	0.60%	\$1,289
\$ 1 - 9,999	106	1.53%	\$19,286	0.13%	\$182
\$ 10,000 - 19,999	194	2.81%	\$56,531	0.37%	\$291
\$ 20,000 - 29,999	198	2.86%	\$90,561	0.60%	\$457
\$ 30,000 - 39,999	254	3.67%	\$80,583	0.53%	\$317
\$ 40,000 - 49,999	309	4.47%	\$129,213	0.85%	\$418
\$ 50,000 - 59,999	320	4.63%	\$321,775	2.12%	\$1,006
\$ 60,000 - 74,999	497	7.19%	\$198,503	1.31%	\$399
\$ 75,000 - 99,999	739	10.69%	\$438,484	2.89%	\$593
\$ 100,000 - 124,999	634	9.17%	\$541,906	3.57%	\$855
\$ 125,000 - 149,999	514	7.43%	\$423,306	2.79%	\$824
\$ 150,000 - 174,999	382	5.53%	\$310,358	2.04%	\$812
\$ 175,000 - 199,999	323	4.67%	\$357,094	2.35%	\$1,106
\$ 200,000 - 249,999	487	7.04%	\$727,276	4.79%	\$1,493
\$ 250,000 - 499,999	957	13.84%	\$2,208,052	14.54%	\$2,307
\$ 500,000 - 999,999	520	7.52%	\$2,348,390	15.46%	\$4,516
\$1,000,000 or More	409	5.92%	\$6,843,087	45.06%	\$16,731
Total	6,914		\$15,185,955		\$2,196

Source: Endow Iowa award database, Economic Development Authority, and Iowa Department of Revenue

Endow Iowa Tax Credit Claims by Household AGI, Tax Years 2006–2011

Household Adjusted Gross Income (in 2011\$)	Number of Households with Tax Credit Claims	Distribution of Households with Tax Claims	Total Amount of Tax Credit Claims	Distribution of Tax Credit Claims	Average Household Tax Credit Claim
NO AGI	73	1.20%	\$15,006	0.10%	\$1,248
\$ 1 - 9,999	82	1.35%	\$49	0.00%	\$2
\$ 10,000 - 19,999	118	1.95%	\$5,124	0.04%	\$245
\$ 20,000 - 29,999	142	2.34%	\$26,084	0.18%	\$1,121
\$ 30,000 - 39,999	203	3.35%	\$37,393	0.26%	\$1,069
\$ 40,000 - 49,999	238	3.93%	\$85,166	0.59%	\$2,269
\$ 50,000 - 59,999	241	3.98%	\$93,486	0.64%	\$2,271
\$ 60,000 - 74,999	362	5.97%	\$161,141	1.11%	\$2,548
\$ 75,000 - 99,999	545	8.99%	\$309,808	2.14%	\$3,193
\$ 100,000 - 124,999	519	8.56%	\$305,380	2.11%	\$3,533
\$ 125,000 - 149,999	415	6.85%	\$290,236	2.00%	\$3,873
\$ 150,000 - 174,999	335	5.53%	\$330,141	2.28%	\$5,599
\$ 175,000 - 199,999	296	4.88%	\$281,779	1.94%	\$5,546
\$ 200,000 - 249,999	465	7.67%	\$630,115	4.34%	\$7,739
\$ 250,000 - 499,999	965	15.92%	\$1,778,024	12.26%	\$10,570
\$ 500,000 - 999,999	583	9.62%	\$2,248,283	15.50%	\$23,806
\$1,000,000 or More	478	7.89%	\$7,906,457	54.51%	\$100,291
Total	6,060	100.00%	\$14,503,672	100.00%	\$15,296

Source: Endow Iowa award database and Iowa Department of Revenue

Timing of Endow Iowa Tax Credit Claims

Year of Tax Credit Award	Total Issued	Percent Claimed in First Year	Percent Claimed in Second Year	Percent Claimed in Third Year	Percent Claimed in Fourth Year	Percent Claimed in Fifth Year	Percent Claimed in Final Year	Amount Remaining
2006	\$2,000,000	74.80%	7.95%	1.44%	1.04%	2.05%	1.72%	11.00%
2007	\$1,999,997	66.13%	6.37%	3.47%	2.34%	1.20%	2.09%	18.40%
2008	\$3,176,854	61.61%	10.85%	4.00%	3.45%	1.70%		18.39%
2009	\$2,394,446	57.92%	13.42%	4.57%	4.28%			19.81%
2010	\$3,657,633	65.10%	4.30%	1.52%				29.08%
2011	\$4,523,265	63.28%	5.76%					30.97%
2012*	\$5,779,592	56.80%						43.20%
Average		64.81%	8.11%	3.00%	2.77%	1.65%	1.90%	17.75%

*Incomplete tax year

Source: Endow Iowa award database and Iowa Department of Revenue

- ▶ Nonrefundable credit can be carried forward for five years after the first year of claim, any remaining unclaimed credit expires

Estimated After-Tax Cost of Endow Iowa Donation for Tax Year 2010

- ▶ Higher income households have more state tax liability and a higher federal income tax rate, so they benefit more from the federal charitable contribution itemized deduction.
- ▶ It is estimated that a \$1,000 donation would cost a household with less than \$20,000 in adjusted gross income, on average, \$987 after taxes.
- ▶ For households with over \$1 million in adjusted gross income, on average, their after-tax cost for a \$1,000 donation was \$405.

Household Adjusted Gross Income	After-Tax Cost of \$1,000 Donation in TY 2010*
Less than \$20,000	\$987
\$20,001 to 30,000	\$915
\$30,001 to 40,000	\$780
\$40,001 to 50,000	\$832
\$50,001 to 60,000	\$963
\$60,001 to 70,000	\$602
\$70,001 to 80,000	\$906
\$80,001 to 90,000	\$833
\$90,001 to 100,000	\$741
\$100,001 to 125,000	\$829
\$125,001 to 150,000	\$769
\$150,001 to 175,000	\$515
\$175,001 to 200,000	\$595
\$200,001 to 250,000	\$545
\$250,001 to 500,000	\$650
\$500,001 to 1,000,000	\$537
\$1,000,001 or more	\$405

Source: Iowa Individual Income Tax Model

*Calculation is based on tax year 2010 when the maximum federal marginal tax rate was 35% and there was no phase-out of itemized deductions for high-income taxpayers.

Questions?